Weekly Economic Review

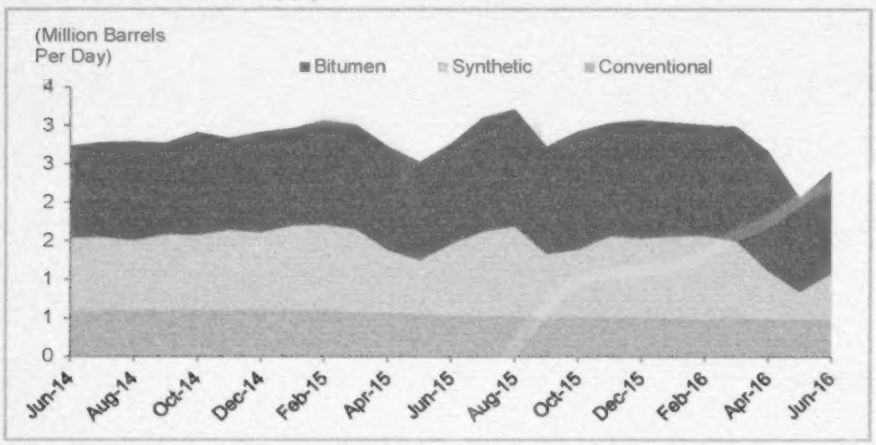
Wildfires impacting economic activity

Supply and Disposition of Crude Oil

Oil production gradually recovering after wildfire-related outages

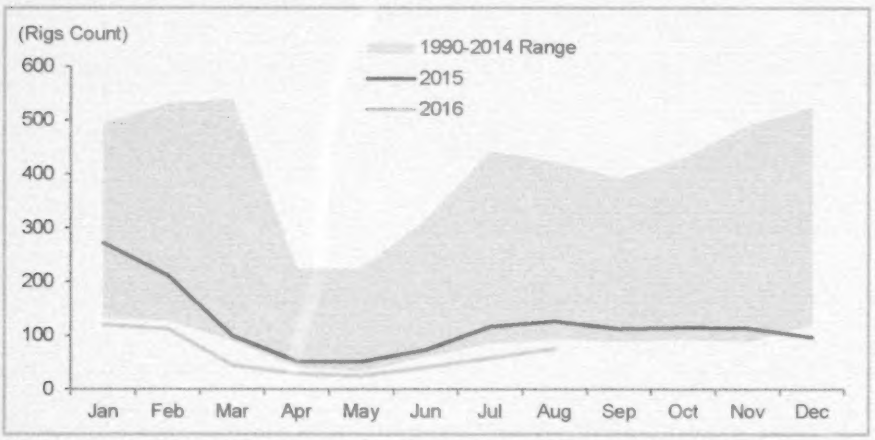
As production started coming back online after the wildfires, Alberta produced 2.4 million barrels of oil per day in June (Chart 1), up 17% month-over-month. Non-conventional oil production (+23% m/m) was especially buoyant as oil sands operations were restored. However, total crude production remained down 13% from a year prior due declines in synthetic output and conventional production. Synthetic crude production remained especially weak, down 37% year-over-year (y/y). Production of light and medium (-16% y/y), and heavy crude (-14% y/y) also fell. In contrast, condensate production boomed (209% y/y) as increased processing and transportation capacity came online while drilling productivity improves.

Chart 1: Production of bitumen and synthetics starting to recover
Total Alberta crude oil supply



Source: Alberta Energy Regulator

Chart 2: Rigs count showing signs of stabilizing
Number of rigs drilling for oil and gas in Alberta



Source: Canadian Association of Oilwell Drilling Contractors

Rigs Drilling

Rigs count seems to be stabilizing

Low oil prices continue to weigh on the number of rigs operating across the province, but there are some signs the rigs count may be stabilizing. There were 75 active rigs drilling in August, down 40% y/y (Chart 2). However, the rigs count ticked up over the past two months. Rig utilization in August remains low with only 16% of available rigs in use compared with a historical average of 47%. Drilling remained weak across the rest of Canada, down 37% y/y with only 20% of available rigs being used.

Metres Drilled

Broad-based drop in drilling

Alberta's energy sector continues to cope with the double-whammy of low energy prices and the impact of the Northern Alberta wildfires. Producers completed 75 wells in June, for a total of 263,673 metres drilled. However, compared with the prior year the number of metres drilled remains down 48%. Weakness was broad-based as low energy prices continued to curtail drilling for conventional oil (-60% y/y) and natural gas (-20% y/y). Disruption caused by the wildfire drove down metres drilled for bitumen to 14,889, down 86% y/y. The low-price environment has incentivized the use

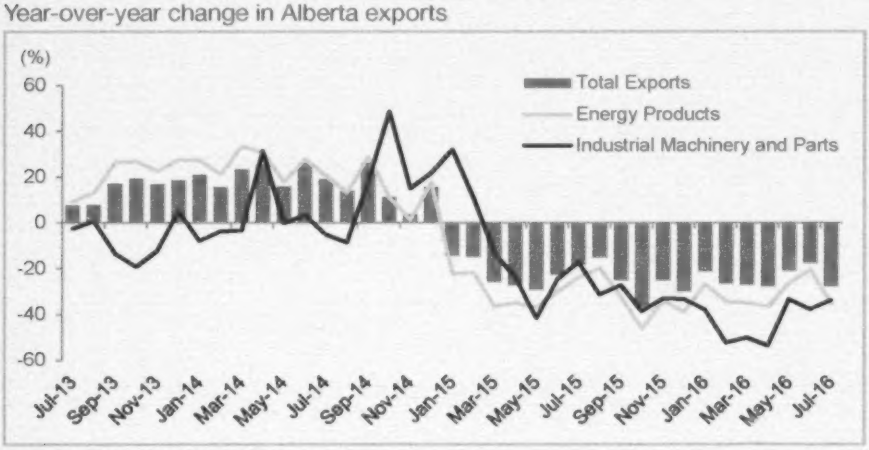
of more-productive drilling technology, helping boost metres drilled per well to 3,516 metres, a twenty-eight per cent improvement compared with last year.

Railcar Loadings

Railcar shipments wane amid tough economic climate

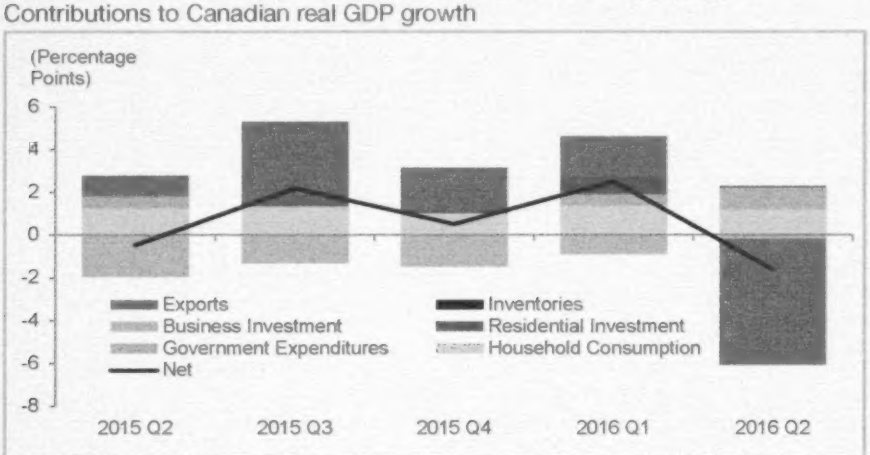
Lacklustre economic activity continues to hamper Western Canada's railway carloadings. A total of 137,626 railcars were shipped from Western Canada in June, down 11% y/y. Agricultural railcars (-16% y/y) were a main source of weakness, especially shipments of wheat (-31% y/y). Another weak spot was energy railcars, which waned for the sixteenth-straight month (-16% y/y). Railcar loadings of fuel oils and crude were down by a 47% y/y while coal shipments waned 3.9% y/y. In contrast, loadings of fertilizers, chemicals and wood products ticked up, bucking the downward trend. Due to persistent weakness over the first half of 2016, railcar loadings were down by 5.4% year-to-date.

Chart 3: Both energy and non-energy exports remain weak
Year-over-year change in Alberta exports



Source: Statistics Canada

Chart 4: Canada's economy hit hard by wildfire and slumping exports
Contributions to Canadian real GDP growth



Sources: Statistics Canada

Merchandise Trade

Exporters still struggling

Alberta exports fell to $6.1 billion in July, down 28% year-over-year (Chart 3). The declining value of exports was broad-based with most major sectors experiencing slower activity. The dwindling value of energy export (-35% y/y) remained a main source of weakness. However, non-energy exports were also down 9% y/y. Exports of industrial machinery and equipment exports (-65% y/y), metal ores and non-metallic metals (-56% y/y) and metals (-17% y/y) continued to struggle. In contrast, a couple of bright spots included gains for electronics (+13% y/y) and consumer goods (+1.7% y/y).

Canadian Real GDP

Wildfires and weak trade trim GDP

This summer's devastating wildfires in Northern Alberta have put Canada's economy under considerable strain. Real GDP shrank 1.6% (annualized) in the second quarter of 2016 (Chart 4), the deepest contraction since mid-2009. Lower energy sector output in the wake of the wildfires subtracted 2% from growth (annualized). International exports were also a main source of weakness (-17%), with significant declines in exports of non-metallic minerals (-67%), energy products (-27%) and consumer goods (-25%). Energy sector related investment remained weak, with spending on engineering structures down 5.8%. The first increase in inventory levels since mid-2015 and modest growth in household consumption provided limited offset amid Canada's deepening economic woes.

Contact

Nachum Gabler 780.638.3238

Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.